



REPORT
ON THE
CONTINUANCE OF PROTECTION
TO THE
HYDROQUINONE INDUSTRY
BOMBAY
1955

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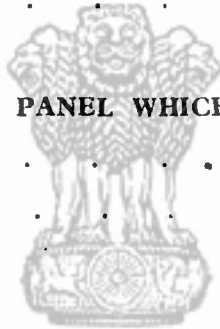
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सत्यमेव जयते

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GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
RESOLUTION
TARIFFS

New Delhi, the 11th June, 1955

No. 8(2)-T.B./55.—The Tariff Commission has submitted its Report on the continuance of protection to the Hydroquinone Industry beyond 31st December, 1955. Its recommendations are as follows:—

- (1) Protection to the Industry should be continued for a further period of four years, i.e., till 31st December, 1959, and the protective duty at the existing rates, viz., 50 per cent. *ad valorem* (preferential) and 60 per cent. *ad valorem* (standard) should be levied.
- (2) The Railway Administration should re-examine the position in regard to supply of tank-wagons for movement of mineral acids required by manufacturers of chemicals in interior places and arrange to supply tank-wagons to Satyadev Chemicals Ltd. for transport of sulphuric acid required by them for the manufacture of hydroquinone from Bombay to Baroda.
- (3) Kodak Ltd. and Allied Photographics Ltd., who are distributors of hydroquinone for Satyadev Chemicals Ltd. should examine the price structure of hydroquinone with a view to giving relief to small consumers.
- (4) Film processing laboratories should establish the practice of buying their requirements of hydroquinone directly from indigenous manufacturers of this chemical instead of through a distributor or dealer.

2. Government accept recommendation (1) and will take steps to implement it in due course.

3. They have also noted for examination, recommendation (2) regarding the general question of supply of tank-wagons for movement of mineral acids required by manufacturers of chemicals in interior places for which purpose the requirements should be indicated by the parties concerned to the despatching Railways, preferably through the suppliers of acids. Meanwhile the Satyadev Chemicals are advised to register with the General Manager, Central Railway, the requirements of tank-wagons for the transport of sulphuric acid from Kalyan to Baroda, preferably through the suppliers of the acid.

4. The attention of Messrs. Kodak Ltd. and Messrs. Allied Photographics Ltd. is invited to recommendation (3) above.

5. The attention of film processing laboratories is invited to recommendation (4) above.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned and that it be published in the *Gazette of India*.

L. K. JHA, Joint Secy.

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REPORT ON THE CONTINUANCE OF PROTECTION TO THE HYDROQUINONE INDUSTRY

1. The claim of the hydroquinone industry to protection or assistance was first examined by the Tariff Board in 1951 and on its recommendation protection was granted to the industry by the Government of India in the Ministry of Commerce and Industry by their Resolution No. 8(4)-T.B./51 dated 28th July, 1951. The then existing revenue duties of 27·3 per cent. preferential and 37·8 per cent. standard were converted into protective duties and they were to remain in force up to 31st December, 1953. The Tariff Commission conducted an inquiry in regard to continuance of protection to the industry in 1953, and in its report submitted on 26th May, 1953 it recommended that the preferential rate of duty on hydroquinone imported from the United Kingdom should be increased from 27·3 per cent. to 50 per cent. *ad valorem*, the standard rate of duty being fixed in accordance with the terms of the Indo-U.K. Trade Agreement. The Commission further recommended that the enhanced rates of protective duty should remain in force up to 31st December, 1955 and should be subject to review, upon application by the industry, if at any time during the period of protection the c.i.f. prices of hydroquinone fell so low as to jeopardise the position of the industry. The Government of India in the Ministry of Commerce and Industry by their Resolution No. 8(3)-T.B./53 dated 15th August, 1953 accepted the recommendation regarding increase in the rates of protective duties. These rates were raised to 50 per cent. *ad valorem* preferential and 60 per cent. *ad valorem* standard, and protection to the industry was extended up to 31st December, 1955 by the Indian Tariff (Second Amendment) Act, 1953.

2. The present inquiry has been undertaken by us under Section 11(e) read with Section 13 of the Tariff Commission Act, 1951, under which the Commission is empowered to inquire into and report on any further action in relation to the protection granted to an industry with a view to its increase, decrease, modification or abolition according to the circumstances of the case.

3. (a) Questionnaires for producers, importers and consumers of hydroquinone were issued on 20th December, 1954. A press note was issued on 21st December, 1954 inviting firms, persons or associations interested in the industry or in industries depending on the use of this chemical to obtain copies of the relevant questionnaires from the Commission's office and submit replies thereto. The Industrial Adviser (Chemicals) to the Government of India in the Ministry of Commerce and Industry, the Director of Industries, Bombay and the Indian Chemical Manufacturers' Association, Calcutta were addressed on 21st December, 1954 for information on various points arising out of this inquiry. Collectors of Customs were requested to furnish information about c.i.f. prices and landed costs of imported hydroquinone. Letters were

also addressed to the High Commission of India in the United Kingdom, Embassies of India in the U.S.A., France and West Germany and the Legation of India in Switzerland for information regarding current f.o.b. prices etc. of hydroquinone in the respective countries. A list of those to whom the Commission's questionnaires were issued and from whom replies or memoranda were received is given in Appendix I.

(b) Shri M. D. Bhat, Chairman, and Shri C. Ramasubban, Member, visited the factory of Satyadev Chemicals Ltd., at Baroda on 15th February, 1955 and 1st February, 1955 respectively. Shri S. S. Mehta, Technical Director (Chemicals), and Shri A. K. Gopalan, Assistant Cost Accounts Officer, visited the same factory on 15th and 16th January, 1955. A public inquiry into the industry was held at the Commission's office in Bombay on 27th January, 1955. A list of persons who attended the inquiry and gave evidence is given in Appendix II.

4. (a) In addition to the recommendation referred to in para. (1) above regarding rates of protective duties, the Commission made the **Implementation of the Commission's recommendations made in 1953 on matters other than tariffs.** following two recommendations in its report dated 26th May, 1953:—

- (i) The cost of production of sulphuric acid in India should be examined and, if necessary, suitable action should be taken under the Industries (Development and Regulation) Act of 1951 to maintain the prices of this essential material at a reasonable level.
- (ii) The Sindri Fertilizer Factory and the Ordnance Factories should jointly examine the possibility of manufacturing synthetic nitric acid, nitrobenzene and aniline.

(b) As regards the first recommendation, Government referred the question of making sulphuric acid available to consuming industries at a reasonable price to the Development Council for Heavy Chemicals (Acids and Fertilizers). From the Council's report for the year ended 31st March, 1954 it appears that it discussed the information furnished by various firms in regard to prices and costs of production of sulphuric acid and came to the conclusion that the then ruling price of Rs. 200 to Rs. 220 per ton at Bombay was reasonable. It also found that the price of sulphuric acid had gone down from Rs. 280 per ton in 1953 to the above level, and might fall further.

(c) As regards the second recommendation we have been informed by the Development Wing of the Ministry of Commerce and Industry that there are four plants for the manufacture of synthetic nitric acid attached to Ordnance Factories and that there are also plans to establish more plants in connection with the expansion project of the Ministry of Defence. The Sindri Fertilizers and Chemicals are reported to have schemes for expansion to produce additional nitrogenous fertilizers for which a large tonnage of production of synthetic nitric acid is envisaged. This scheme, we are informed, is likely to materialise in 1956-57. Regarding the production of nitrobenzene and aniline, the Development Wing has stated that the Ordnance Factories propose to erect a plant for meeting their own requirements of this

material and a part of the civil demand, and that this scheme is likely to materialise within the next two years. The Ministry of Defence, which was addressed for details regarding the proposed plant for manufacture of aniline has, however, stated that the plant is expected to go into production only by 1959. We understand that the capacity of the proposed aniline plant is 54 short tons per month and the quantity of aniline that will be made available for civil requirements will be about 36 short tons per month. The Ministry is unable to estimate at this stage the probable price at which aniline will be made available for civil requirements but expects that the price is likely to compare favourably with the imported price.

5. As was the case during the last two tariff inquiries in 1951 and 1953, the scope of the inquiry includes hydroquinone of both photographic and technical grades.

6. (a) At the time of the Tariff Board's inquiry in 1951 Kesar Sugar Works Ltd., Bombay were the only producer of hydroquinone with a capacity of 33,000 lbs. per annum. It was understood that Sarabhai Chemicals Ltd., Baroda had then completed experimental work and were expected to start production at the rate of about 50 lbs. per day. During its inquiry in 1953 the Tariff Commission found that Kesar Sugar Works Ltd., had suspended production due to their inability to market their product. Sarabhai Chemicals Ltd., who had started production in 1951, passed on their business to Satyadev Chemicals Ltd., in April, 1952. Satyadev Chemicals Ltd., were producing hydroquinone with the equipment and services available at the factory of Sarabhai Chemicals Ltd. The production capacity of this equipment which was about 10,000 lbs. per annum in 1951, was gradually increased to 15,000 lbs. in 1952 and to about 30,000 lbs. during 1953. About the end of 1953 Satyadev Chemicals Ltd., shifted the equipment to their own premises and re-erected the plant with a capacity of about 120 lbs. per day. Another company namely, Associated Rubber and Chemical Industries, Poona produced hydroquinone in 1953 on an experimental basis. At the 1953 inquiry they expressed their readiness to go into immediate production if the industry received adequate protection. We are now informed that they did not undertake the manufacture of hydroquinone during the last two years as, in their opinion, the protection granted to the industry was inadequate.

(b) Satyadev Chemicals Ltd., are a private limited company with an authorised capital of Rs. 5 lakhs and paid-up capital of Rs. 1.79 lakhs. Their main line of production is hydroquinone of photographic grade. They have recently taken up the manufacture of sodium sulphite of photographic quality which has resulted in a measure of reduction in the expenses relating to hydroquinone. Hydroquinone, however, still forms about 77 per cent. of their activity in terms of total turnover. It appears that they have schemes to manufacture other photographic chemicals which might enable them to reduce their over-heads in respect of hydroquinone. The present rated capacity of the factory computed on the basis of 120 lbs. per day for 330 days, according to the Development Wing of the Ministry of Commerce and Industry, is 39,600 lbs. per annum. Satyadev Chemicals

Ltd., have been working the plant at more or less full capacity. In order to increase the volume of production they are investigating the possibility of developing the market for technical hydroquinone which is required in rubber, paint, petroleum and plastic industries. They have informed us that, while they are in a position to step up production to the extent of their full capacity provided there is a prospect of demand to that extent, they have tentatively provided for a programme of manufacture of 45,000 lbs. in 1955, 60,000 lbs. in 1956 and 70,000 lbs. in 1957 for which additional equipment of Rs. 10,000 to Rs. 25,000 would be required.

7. In 1951 the Tariff Board estimated the demand for hydroquinone at 58,000 lbs. based on the information then available regarding the

Domestic demand. quantities of hydroquinone required for processing different types of cinematographic films and on an assumed ratio between consumption of film processing laboratories and the photographic trade. Statistics of past imports were then not available. In 1953 the Tariff Commission found the above estimate to be on the high side and estimated the demand at 45,000 lbs. per annum taking the sum total of imports of hydroquinone and sales of the indigenous product in the previous year, and making due allowance for stocks with importers. The Commission also estimated that the demand was likely to increase to about 49,000 lbs. during the next three years. In connection with the present inquiry we have received various estimates of demand. The Development Wing of the Ministry of Commerce and Industry has estimated the current demand at 20 tons (44,800 lbs.) per annum. It has further stated that as no large increase in film production in the country is anticipated during the next three years no increase in the demand for hydroquinone may be expected. Satyadev Chemicals Ltd., have estimated the present annual consumption at not more than 36,000 lbs. and stated that the previous estimate of 45,000 lbs. was on the high side. Allied Photographics Ltd., Bombay who import hydroquinone and are one of the distributors of the indigenous product, have estimated the consumption at 50,000 lbs. in 1955, 55,000 lbs. in 1956 and 60,000 lbs. in 1957. Their representative who was present at the public inquiry stated, however, that these figures were not worked out on any definite basis but were calculated on the average imports of raw films taking into account the quantity of hydroquinone required for processing them. After discussion at the public inquiry we have come to the conclusion that a reasonable estimate of the demand would be on the basis of the average quantity available for consumption in the country during the years 1952 to 1954. Figures of imports of hydroquinone from July, 1951 to November, 1954 have been furnished to us by the Director General of Commercial Intelligence and Statistics. The figure of 42,372 lbs. for 1952 was accepted by the Tariff Commission during the inquiry in 1953. The figure relating to 1953 as furnished by the D.G.C.I. & S. is 7,830 lbs., but on checking it with the individual figures furnished by five leading importing firms *viz.*, Imperial Chemical Industries (India) Ltd., May and Baker (India) Ltd., Kodak Ltd., Allied Photographics Ltd. and Voltas Ltd., we find that the total aggregates to 14,835 lbs. According to the figures furnished by the Director General of Commercial Intelligence and Statistics imports for the year 1954 were 2,359 lbs. If we accept the figure of imports of hydroquinone for 1953 as furnished to us by the importing firms,

viz., 14,835 lbs. the totals of imports and indigenous sales from 1952 to 1954 would be as under:—

					(In lbs.)	
					Imports	Indigenous sales
1952	.	.	.	.	42,372	16,740
1953	.	.	.	.	14,835	18,944
1954	.	.	.	.	2,359	27,617*
TOTAL					59,566	53,301

*Includes 2,000 lbs. released by D.G.S. and D. in 1954.

The aggregate of imports and indigenous sales for the three years amounts to 112,867 lbs. and the average figure works out to 37,622 lbs. We were informed at the public inquiry that stocks of hydroquinone with dealers and processing laboratories in 1951 was more than the stocks with them at the end of 1954. After taking this into account we estimate the present demand for hydroquinone at 40,000 lbs. per annum. From the evidence tendered by the Secretary of the Indian Motion Picture Producers' Association we observe that production of feature films has been on the increase and that short films such as, documentaries and news reels and publicity films are likely to be produced in larger numbers in future. We are unable to assess the extent to which this may increase the consumption of hydroquinone. It seems, however, likely that its consumption would go up during the next four years.

8. Associated Rubber and Chemical Industries have informed us that their plant and machinery were idle during the last two years. Kesar Sugar Works Ltd., have stated that production was suspended by them during this period. They sent no replies to our questionnaire, but their representatives attended the public inquiry. Information regarding their capacity and production during 1953 and 1954 has been furnished to us by the Development Wing. We give below the rated capacity and production of Satyadev Chemicals Ltd. and Kesar Sugar Works Ltd. during 1953 and 1954.

(In lbs.)

Name	Rated capacity		Production	
	Daily	Annual	1953	1954
Satyadev Chemicals Ltd., Baroda	120	39,600	14,190	30,961
Kesar Sugar Works Ltd., Bombay	100	33,000	3,330	325
	220	72,600	17,520	31,286

9. (a) The principal raw materials required for the manufacture of hydroquinone are (i) aniline, (ii) sulphuric acid, (iii) manganese dioxide and (iv) iron powder. Of these, aniline

Raw materials is imported and its price is subject to fluctuation. The other raw materials are available from indigenous sources. The price paid by Satyadev Chemicals Ltd., for the above four raw materials has been gradually declining during the last four years, from Rs. 1-8-0 per lb. in 1951 to Rs. 1-2-6 per lb. in 1954 in the case of aniline, from Re. 0-3-0 per lb. in 1951 to Re. 0-2-3 per lb. in 1954 in the case of sulphuric acid, from Re. 0-3-6 per lb. in 1951 to Re. 0-2-8 per lb. in 1954 in the case of manganese dioxide and from Re. 0-12-0 per lb. in 1951 to Re. 0-4-0 per lb. in 1954 in the case of iron powder.

(b) Manganese dioxide which is mined at Shivrajpur situated at a distance of about 40 miles from Baroda is taken to Bombay where it is ground into fine powder by the mining agents before it is despatched by rail to Satyadev Chemicals Ltd., at Baroda. The extra freight charges of about Rs. 100 per ton incurred in this circuitous journey could be saved if a grinding plant was installed either at Shivrajpur or at Baroda; the mining agents are not interested in installing a grinding plant at Shivrajpur, while Satyadev Chemicals Ltd. have stated that they cannot afford to make a large investment for this purpose.

(c) As regards sulphuric acid, Satyadev Chemicals Ltd. have been able to locate a supplier at Bombay whose price (at Baroda) is less than what was charged by the supplier at Baroda, and have been bringing the acid by rail in their own drums. These containers are not altogether satisfactory as they are liable to damage and leakage in transit. A more satisfactory and cheaper arrangement would be to carry the acid from Bombay in mild steel tank-wagons. We understand that the supply of tank-wagons for the movement of mineral acids which are basic raw materials in the manufacture of chemicals has been recommended by the Development Council for Heavy Chemicals (Acids and Fertilizers). The question of tank-wagon supply to Satyadev Chemicals Ltd. from Kalyan to Baroda was taken up with the Tank-Wagon Controller of the Central Railway. He has stated that very few tank-wagons are available in Bombay, and that as sulphuric acid is available in Baroda itself the movement of acid from Kalyan to Baroda, in his view, is uneconomical. We may mention that Satyadev Chemicals Ltd. were paying Rs. 380 per ton at Baroda for locally produced sulphuric acid in 1953; subsequently they started purchasing acid from a Bombay supplier at Rs. 190 per ton which, with the addition of Rs. 105 for railway freight worked out to Rs. 295 per ton at Baroda. After Satyadev Chemicals Ltd. started getting sulphuric acid from Bombay, the locally produced acid was available to them at Rs. 295 per ton. This illustrates how a producer of sulphuric acid in an interior place is likely to quote a reasonable price for the acid only when he knows that there would be competition from an outside source at such a price. Consequently, it seems necessary to us that facilities should be provided to consumers to combat any monopolistic tendency on the part of such producers. We, therefore, recommend that the Railway Administration should re-examine the position in regard to supply of tank-wagons for movement of mineral acids required by manufacturers of chemicals in interior places and arrange of supply tank-wagons to Satyadev Chemicals Ltd., for transport of

sulphuric acid required by them for manufacture of hydroquinone from Bombay to Baroda.

10. In its last report in 1953, the Tariff Commission observed that the hydroquinone produced by Satyadev Chemicals Ltd., had attained a satisfactory standard of quality. Two of the leading importers of hydroquinone who are distributors of the indigenous product have stated that the quality of the indigenous product does not differ in any way from that of imported hydroquinone. Consumers have no complaint in regard to the quality of hydroquinone produced by Satyadev Chemicals Ltd. which is stated to conform to the standard specifications laid down by the Indian Standards Institution.

11. (a) *Imports.*—Imports of hydroquinone are not separately recorded in the “Accounts relating to the Foreign Trade and Navigation of India” published by the Department of Commercial Intelligence and Statistics. That Department has, however, been furnishing information relating to the imports of hydroquinone along with those of other protected commodities. According to the returns received from the Department, imports of hydroquinone during the years 1953 and 1954 were as follows:—

Country of origin	1953		1954	
	Qty. Lbs.	Value Rs.	Qty. Lbs.	Value Rs.
U. K.	5,626	33,511	1,186	5,977
France	2,204	11,754	1,098	5,806
Other countries . . . . .	..	..	75	313
	7,830	45,265	2,359	12,096

The figures relating to 1953 do not, however, appear to be correct. Individual figures of imports were furnished to us by five leading importing firms and these aggregate to 14,835 lbs. These have been verified with particulars of actual foreign consignments of hydroquinone received at Bombay port during the year 1953 (furnished to us by Satyadev Chemicals Ltd.) and have been found to tally. The Director General of Commercial Intelligence and Statistics, Calcutta has been informed about the discrepancy and he has advised us that he is making an investigation into the matter.

(b) *Import control policy.*—The import control policy in respect of hydroquinone since July 1953 is as follows. During the licensing period July-December, 1953, licences were given to established importers for imports from soft currency countries to the extent of 25 per cent. of one-half of their best year's imports. During the subsequent two licensing periods January-June 1954 and July-December, 1954, the quota of soft currency licences was reduced to ten per cent. The same quota has been allowed for the current licensing period January-June, 1955.

(c) *Token imports for maintaining quality.*—Satyadev Chemicals Ltd. represented that the quota of ten per cent. of one-half of the best year's imports for the current licensing period was likely to bring into

the country a larger quantity of foreign hydroquinone than was required for the purpose of ensuring the maintenance of quality of the indigenous product. This question was discussed at the public inquiry and the consensus of opinion was in favour of allowing token imports for the purpose of stimulating indigenous manufacturers to maintain a high standard of quality for their hydroquinone. We agree with this opinion. Although import control is exercised on balance of payments considerations, we have no doubt that any regulation of imports that is found necessary by Government would take into account the country's demand for hydroquinone and the capacity of the indigenous industry to satisfy it.

12. Hydroquinone is assessed to duty under item No. 28(32) of the First Schedule to the Indian Customs Tariff. The relevant extract **Existing rate of duty** from the 39th issue of the Tariff Schedule is given on page 9.

13. (a) Our Assistant Cost Accounts Officer has examined the cost of production of hydroquinone at the factory of Satyadev Chemicals Ltd., for the period from 1st April, 1954 to 30th September, 1954. The production of hydroquinone during this period was 14,980 lbs. which was equal to about 75 per cent. of the annual capacity of the plant. The cost data compiled by the Assistant Cost Accounts Officer were discussed with the representatives of Satyadev Chemicals Ltd. and we have framed an estimate of future cost of production and fair ex-works price of the indigenous hydroquinone. As the representatives desire that the details of costs should be kept confidential, we are forwarding the report* of the Cost Accounts Officer as a separate enclosure to this report. The following statement gives our estimate of the cost of production and fair ex-works price for the future.

Estimate of future cost and fair ex-works price.

	Rs. Per lb.
1 Raw materials	3.721
2 Conversion charges excluding depreciation	2.745
3 Depreciation	0.432
4 Other overheads	0.296
5 Packing charges	0.211
6 Interest on working capital	0.157
7 Total works cost	7.562
8 Return on block	0.409
9 Fair ex-works price	7.971
10 Freight charges from Baroda to Bombay	0.031
	<u>8.002</u>

*Not printed.

Item No.	Name of article	Nature of duty	Standard rate of duty	<div> <div> Preferential rate of duty if the article is the produce or manufacture of </div> <div> duty </div> </div>		<div> <div> Duration of protective rates of duty </div> <div> the manufacture of </div> </div>	
				The U. K.	A British Colony	Burma	
28 '32)	(a) Hydroquinone of British manufacture	Protective	50 per cent. <i>ad valorem</i>	..	..	10½ per cent. <i>ad valorem</i>	December 31st, 1955.
	(b) not of British manufacture	Do.	<div> <div> Preferential rate of duty actually charged for the time being for such products of British manufacture plus 10 per cent. <i>ad valorem</i> </div> <div> </div> </div>		..	..	December 31st, 1955.

The above estimates have been arrived at on the basis explained below:—

(i) *Production*.—We have assumed the annual production in the future to be 38,000 lbs. which works out to 96 per cent. of the capacity. This approximates to the domestic demand for hydroquinone after allowing for a small quantity of imports.

(ii) *Raw materials*.—Estimates of usages have been made in consultation with our Technical Director who has taken into account possible economies in the quantities required for efficient production. The costs of materials have been calculated on the basis of the latest prices paid for them.

(iii) *Conversion charges*.—Assessment of charges for items such as electricity, coal, and water have been made on the basis of actual expenses incurred, and they have been allocated proportionately to hydroquinone. The wages of labourers employed in the hydroquinone section have been calculated separately. Repairs and maintenance charges and consumption of consumable stores have been assessed on the basis of actuals, taking into account the highly corrosive nature of the plant. Shri Satyadev Mayor, Managing Director, is in-charge of control of production and technical supervision. We have allowed a sum of Rs. 500 per month for his services in this capacity, as, otherwise a qualified technologist would have to be appointed by the Company on this salary to carry out these duties.

(iv) *Depreciation*.—Depreciation has been calculated at income-tax rates on the written down value of the plant.

(v) *Packing charges*.—Packing charges for the future have been estimated on the actual charges incurred for packages of 25 lbs. each.

(vi) *Interest of working capital*.—Interest on working capital has been allowed on an amount equivalent to cost of six months production at $4\frac{1}{2}$ per cent. per annum.

(vii) *Return on block*.—Return on block has been calculated at ten per cent. on the original value of the block viz., Rs. 1,55,504.

(b) On the above basis, the fair ex-works price works out to Rs. 7.971 per lb. of hydroquinone. As Bombay is the main market for hydroquinone we have allowed an amount of Re. 0.031 which represents the railway freight per lb. from Baroda to Bombay.

14. The statement in Appendix III gives the c.i.f. prices and landed costs of imported hydroquinone which have been furnished to us by the Collectors of Customs and certain leading importers. Imports are being allowed only from soft currency areas. The lowest c.i.f. price in the list during the last quarter of 1954 relates to a consignment from France received in Calcutta on 23rd October 1954 viz., Rs. 5-1-0 per lb. It will be observed that the clearing charges given in the statement vary from two pies per lb. to Re. 0-10-1 per lb. The question was discussed at the public inquiry and we were informed that the amount of clearing charges depended on whether hydroquinone was imported along with other photographic goods or separately; in the former case the charges were low, while in the latter case they were high. We were also informed that an average charge would be one anna per lb. We have, therefore, adopted the c.i.f. price of Rs. 5-1-0 per lb., and landed cost without duty of Rs. 5-2-0 per lb.

C. i. f. prices and landed costs of imported hydroquinone

15. The fair ex-works price with freight to Bombay as estimated by us is compared with the landed cost, ex-duty, of imported hydroquinone.

	Rs. per lb.
(1) Fair ex-workers price <i>plus</i> freight	8.002
(2) C. i. f. price	5.062
(3) Clearing charges	0.062
(4) Landed cost ex-duty	5.124
(5) Excess of 1 over 4	2.878
(6) Excess as percentage of c.i.f. price	56.85 %
(7) Existing rate of duty	60%

We have carefully considered the evidence received by us and come to the conclusion that the hydroquinone industry is in need of protection for some more years. It is true that the industry has enjoyed protection since July 1951 and a sheltered market for the last 12 months or so, but there are certain disadvantages such as higher cost of aniline and sulphuric acid, and smaller volume of production from which the indigenous industry suffers in comparison with the industry in foreign countries. Satyadev Chemicals Ltd., however, are planning the production of other chemicals and the development of technical hydroquinone in the country. When the expansion of their activities takes place, they expect that the cost of production of hydroquinone would be lower. Hydroquinone is one of the essential photographic chemicals used for defence as well as civilian requirements and it is desirable that its production should be well established in the country. The capacity of Satyadev Chemicals Ltd., alone is sufficient to meet the entire indigenous demand. Kesar Sugar Works' equipment, although at present idle, can also be operated if there is any increase in demand. We consider that it is necessary to maintain conditions which will enable the industry to utilise its capacity to an increasing extent and to establish itself on a sound footing. The comparison of the fair ex-works price (*plus* freight) of indigenous hydroquinone with the landed cost, ex-duty, of imported hydroquinone made above shows that a standard rate of duty of 56.85 per cent. would be necessary. The duty indicated is slightly lower than the existing standard rate of duty which is 60 per cent. As stated in paragraph 13 (a) (ii) costs of materials have been calculated on the basis of the latest prices paid for them by Satyadev Chemicals Ltd. We consider that a small margin should be allowed for contingencies, and that it would be advisable to maintain the existing rate of duty. We, therefore, recommend that protection should be extended for a further period of four years, that is, till 31st December, 1959 and protective duty should be levied at the existing rates, *viz.*, 50 per cent. *ad valorem* preferential and 60 per cent. *ad valorem* standard.

16. (a) We were informed that there were a few film processing laboratories which were not purchasing their requirements of hydroquinone from Satyadev Chemicals Ltd. A question was raised at the public inquiry whether these laboratories would be able to obtain supplies of hydroquinone from Satyadev Chemicals

Ltd., at the same price at which hydroquinone was sold by them to Kodak Ltd., and Allied Photographics Ltd. The representative of

Selling arrangements and retail prices of indigenous hydroquinone

Satyadev Chemicals Ltd., stated that they were not tied up by any agreement with Kodak Ltd., and Allied Photographics Ltd., which would preclude them from selling hydroquinone to other parties, and that they were prepared to supply hydroquinone to any consumer at the price at which it was sold to these two firms, provided a reasonable minimum quantity was purchased. We consider that it will be in mutual interests if film processing laboratories and other bulk consumers establish the practice of purchasing their requirements of hydroquinone directly from the manufacturer instead of through a distributor or dealer.

(b) Kodak Ltd. and Allied Photographic Ltd., who are marketing hydroquinone for Satyadev Chemicals Ltd. repack it in small containers for sale in the retail market. The following statement shows the size of their packings, cost (including container, labour, etc.) and their selling prices.

Kodak Ltd.

Size of packing	Cost (including container, labour) etc.	Selling price*
	Rs. As. Ps.	Rs. As. Ps.
10Z	0 14 4	1 8 0
4 oz	21 3 8	5 0 0
8 oz	5 3 2	9 8 0
16 oz	10 2 7	17 0 0
7 lb.	68 9 11	111 12 0

*The selling prices to dealers are subject to a discount of 25 per cent.

Allied Photographics Ltd.

Size of packing	Cost (including container, labour) etc.	Selling price †
	Rs. As. Ps.	Rs. As. Ps.
2 oz	1 8 0	2 12 0
4 oz	2 12 9	5 0 0
8 oz	5 5 11	9 8 0
1 lb.	10 9 9	17 0 0

†The selling prices to dealers are subject to a discount of 25 per cent. plus 2½ per cent. for cash payment.

We have no information regarding the volume of sales to small consumers, but it appears to us that profit margin on sales of such packings especially of 1 to 8 oz. is high. We suggest that Kodak Ltd. and Allied Photographics Ltd., should examine the price structure of hydroquinone with a view to giving relief to small consumers.

17. A summary of our conclusions and recommendations is given below:—
Summary of conclusions and recommendations

(1) The domestic demand for hydroquinone is estimated at 40,000 lbs. per annum. The demand is likely to increase during the next four years.

[Paragraph 7]

(2) The annual rated capacity of the industry is 72,600 lbs.

[Paragraph 8]

(3) The Railway Administration should re-examine the position in regard to supply of tank-wagons for movement of mineral acids required by manufacturers of chemicals in interior places and arrange to supply tank-wagons to Satyadev Chemicals Ltd. for transport of sulphuric acid required by them for the manufacture of hydroquinone from Bombay to Baroda.

[Paragraph 9(c)]

(4) The quality of indigenous hydroquinone is satisfactory and compares favourably with that of the imported product.

[Paragraph 10]

(5) Protection to the industry should be continued for a further period of four years, i.e., till 31st December, 1959, and protective duty at the existing rates, viz., 50 per cent. *ad valorem* (preferential) and 60 per cent. *ad valorem* (standard) should be levied.

[Paragraph 15(b)]

(6) Film processing laboratories should establish the practice of buying their requirements of hydroquinone from indigenous manufacturers of this chemical.

[Paragraph 16(a)]

(7) Kodak Ltd. and Allied Photographics Ltd. who are distributors of hydroquinone for Satyadev Chemicals Ltd. should examine the price structure of hydroquinone with a view to giving relief to small consumers.

[Paragraph 16(b)]

18. We wish to thank the representatives of manufacturers, importers and consumers including film interests who supplied us with **Acknowledgements** information and gave evidence before us.

M. D. BHAT, *Chairman*

S. RAMASUBBAN, *Member.*

S. K. BOSE, *Secretary.*

BOMBAY,
 Dated 25th March, 1955.

APPENDIX I

[Vide Paragraph 3 (a)]

List of persons or bodies to whom the Commission's questionnaires were issued and from whom replies or memoranda were received.

[*Those who have replied or sent memoranda]

PRODUCERS:

- *1. Satyadev Chemicals Ltd., Pratapnagar Road, Baroda.
- *2. Kesar Sugar Works Ltd., 45-47, Apollo Street, Bombay—1.
- *3. The Associated Rubber & Chemical Industries, Jeevan Building, Tilak Road, Poona—2.

IMPORTERS:

- *1. Allied Photographics Ltd., Kasturi Building, J. N. Tata Road, Bombay—1.
- *2. Kodak Ltd., Hornby Road, Fort, Bombay.
- *3. May & Baker (India) Ltd., Sir P. M. Road, Bombay—1.
- *4. Voltas Ltd., Graham Road, Ballard Estate, Bombay.
- *5. Imperial Chemical Industries (India) Ltd., 34, Chowringhee, Calcutta—16.
- *6. International Chemicals, 112, Main Road, Dadar, Bombay.

CONSUMERS:

- 1. The Chief Producer, Films Division (Government of India), 24, Peddar Road, Bombay—26.
- *2. The Secretary, Indian Motion Picture Producers' Association, Sandhurst Building, Sandhurst Road, Bombay—4.
- 3. The Secretary, The Film Federation of India, C/o Gemini Studios, Cathedral, Madras—6.
- 4. Famous Cine Laboratories & Studios Ltd., Haines Road, Bombay—11.
- *5. Bombay Film Laboratories Ltd., 149, Portuguese Church Street, Dadar, Bombay—28.
- *6. New Theatres Limited, 172, Dharamtalla Street, Calcutta—13.
- 7. Bengal Film Laboratories Ltd., 27, Chandi Ghose Road, Tollygunge, Calcutta.
- *8. Ram-nord Research Laboratories Ltd., 50, Elphinstone Road, Pare' Bombay—13.
- 9. Gemini Studios, Cathedral, Madras—6.
- 10. Famous Cine Laboratory, 156, Tardeo Road, Bombay—7.
- 11. National Chemicals Ltd., Mount Road, Madras—2.
- 12. Madras Cine Laboratory, Adayar, Madras—20.
- *13. Patel India Ltd., 190, Hornby Road, Bombay—1.
- *14. Indian Chemical Company, 43, Dharamtalla Street, Calcutta—13.
- 15. Manik Studios, Poona—2.
- 16. Photo Central, 190D, Hornby Road, Bombay.
- 17. Vanguard Studios, 355, Thakurdwar, Bombay—2.

CONSUMERS —contd.

- *18. Manager, Government of India Photo Litho Press, New Delhi.
- 19. Manager, Government Photo Zincographic Press, Poona.
- *20. The South India Film Chamber of Commerce, 19, Woods Road, Madras—2.
- 21. Manager, Times of India Press, Bombay—1.
- 22. Manager, The 'Hindu' Press, Mount Road, Madras.
- 23. Kishorchandra & Co., 102, Princess Street, Bombay—2.

OTHERS:

- *24. Indian Chemical Manufacturers' Association, 12, Netaji Subhas Road, Calcutta—1.

GOVERNMENT DEPARTMENTS:

- *25. The Director of Industries, Bombay.



APPENDIX II

[Vide Paragraph 3 (b)]

List of persons who attended the Commission's public inquiry on 27th January, 1955 and gave evidence.

Name of Representative		Name of the Firm
(A) PRODUCERS :		
1 Shri Satyadev Mayor	} Representing	Satyadev Chemicals Ltd., Baroda.
2 Shri G.S. Apte		
3 Shri N. G. Madan		
4 Shri S. V. Gadkari		
(B) IMPORTERS :		
5 Mr. J. Kershaw . . .	Do.	Kodak Ltd., Hornby Road, Bombay.
6 Shri S. R. A. Amudhan . . .	Do.	Allied Photographics Ltd., Kasturi Building, J. N. Tata Road, Bombay.
7 Shri S. S. Sarma . . .	Do.]	May and Baker (India) Ltd., Karimjee House, Sir P. M. Road, Bombay.
(C) CONSUMERS :		
8 Shri I. K. Menon . . .	Do.	The Indian Motion Picture Producers' Association, Sandhurst Building, Sandhurst Road, Bombay-4.
9 Shri R. S. Joshi . . .	Do.	Bombay Film Laboratories Ltd., 149, Portuguese Church Street, Bombay—28.
D) GOVERNMENT OFFICIALS :		
10 Shri V. B. Thosar, Assistant Director of Industries (Chemicals)	} Representing	Director of Industries, Bombay.
11 Shri M. V. Pandit, (Industrial Statistician)		

APPENDIX III

[Vide Paragraph 14]

Statement showing c.i.f. prices and landed costs of imported hydroquinone

Source of information	Date of of import	Origin of import	C.i.f. price	(Per lb.)		
				Customs duty	Clearing charges	Landed cost
1 Kodak Ltd., Bombay	31-5-54	U. K.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
2 May and Baker (India) Ltd., Bombay.	January	U. K.	5 11 0	2 14 0	0 1 0	8 10 0
	1955		6 8 11	3 4 11	0 0 6	9 14 4
3 Allied Photographics Ltd., Bombay	(quotation)	U. K.	5 9 3	2 12 8	0 10 1	9 0 0
4 Voltas Ltd., Bombay	10-8-54	France	5 10 7	3 5 4	0 0 9	9 0 8
	20-10-53	France	5 0 9	3 0 8	0 0 10	8 2 3
	17-5-54	France	5 1 6	3 0 10	0 1 0	8 3 4
	January					
	1955					
5 Collector of Customs, Calcutta	(quotation)	U. K.	5 8 9	2 12 5	0 6 7	8 11 9
	1-11-54	France	5 1 0	3 0 7	0 7 5	8 9 0
	23-10-54	France	5 8 0	3 4 10	0 0 2	8 13 0
6 Collector of Customs, Bombay.	July '54	France	5 12 0	3 7 2	0 0 8	9 4 0
	Aug '54	France	5 8 0	2 12 0	0 7 0	8 11 0
	Sept. '54	U. K.	5 9 0	2 12 6	0 0 6	8 6 0
	Sept '54	U. K.	6 0 0	3 9 7	0 0 5	9 10 0
	Dec. '54	France				



सत्यमेव जयते

PERSONNEL OF THE COMMISSION

SHRI M. D. BHAT	<i>Chairman</i>
SHRI B. N. ADARKAR, M.A. (CANTAB.)	<i>Member</i>
SHRI B. N. DAS GUPTA, B.A., A.S.A.A. (LONDON), F.C.A..	<i>Member</i>
SHRI C. RAMASUBBAN	<i>Member</i>

PERSONNEL OF THE PANEL WHICH HEARD THE CASE

SHRI M. D. BHAT.	<i>Chairman</i>
SHRI C. RAMASUBBAN	<i>Member</i>

Secretary

SHRI S. K. BOSE, M.A., I.A.S.



सत्यमेव जयते

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
RESOLUTION
TARIFFS

New Delhi, the 11th June, 1955

No. 8(2)-T.B./55.—The Tariff Commission has submitted its Report on the continuance of protection to the Hydroquinone Industry beyond 31st December, 1955. Its recommendations are as follows:—

- (1) Protection to the Industry should be continued for a further period of four years, i.e., till 31st December, 1959, and the protective duty at the existing rates, viz., 50 per cent. *ad valorem* (preferential) and 60 per cent. *ad valorem* (standard) should be levied.
- (2) The Railway Administration should re-examine the position in regard to supply of tank-wagons for movement of mineral acids required by manufacturers of chemicals in interior places and arrange to supply tank-wagons to Satyadev Chemicals Ltd. for transport of sulphuric acid required by them for the manufacture of hydroquinone from Bombay to Baroda.
- (3) Kodak Ltd. and Allied Photographics Ltd., who are distributors of hydroquinone for Satyadev Chemicals Ltd. should examine the price structure of hydroquinone with a view to giving relief to small consumers.
- (4) Film processing laboratories should establish the practice of buying their requirements of hydroquinone directly from indigenous manufacturers of this chemical instead of through a distributor or dealer.

2. Government accept recommendation (1) and will take steps to implement it in due course.

3. They have also noted for examination, recommendation (2) regarding the general question of supply of tank-wagons for movement of mineral acids required by manufacturers of chemicals in interior places for which purpose the requirements should be indicated by the parties concerned to the despatching Railways, preferably through the suppliers of acids. Meanwhile the Satyadev Chemicals are advised to register with the General Manager, Central Railway, the requirements of tank-wagons for the transport of sulphuric acid from Kalyan to Baroda, preferably through the suppliers of the acid.

4. The attention of Messrs. Kodak Ltd. and Messrs. Allied Photographics Ltd. is invited to recommendation (3) above.

5. The attention of film processing laboratories is invited to recommendation (4) above.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned and that it be published in the *Gazette of India*.

L. K. JHA, Joint Secy.



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